



October 15, 2014

Item No. 9

**AUTHORIZATION TO ENTER INTO CONTRACTS WITH BLUE CROSS BLUE SHIELD (MEDICAL) AND GUARDIAN (DENTAL, ACCIDENTAL DEATH & DISMEMBERMENT (AD&D), LIFE, SHORT TERM DISABILITY (STD), AND LONG TERM DISABILITY (LTD) FOR THE CHA'S EMPLOYEE HEALTH BENEFIT PLAN**

**To the Honorable Board of Commissioners:**

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer ("CEO") or his designee to enter into contract with the following insurance providers for the Chicago Housing Authority's ("CHA") Employee Benefit Plan covering eligible participants of the CHA and eligible participants of the CHA's affiliates, for the benefit year of January 1, 2015 through December 31, 2015, for a total amount of \$7,061,846: (1) Blue Cross Blue Shield medical with a firm fixed rate contract based on an employee census of 420, calculated to be \$6,491,672, which includes Healthcare Reform Taxes and Fees associated with the Affordable Care Act; (2) Guardian Dental with a firm fixed rate contract based on employee census of 406, calculated at \$283,078; (3) AmeriFlex with a firm fixed rate contract based on employee participation, calculated at \$14,250. Previously authorized by the Board of Commissioners in 2013 with a rate lock, (4) Guardian Life Insurance Company of America for AD&D, Life, STD and LTD with a firm fixed rate contract in an amount calculated at \$228,089.

The Chief Financial and Administrative Officer, the Office of General Counsel and the Office of Procurement have completed all necessary due diligence to support the submission of the procurement and recommend the approval of this item accordingly.

**FUNDING**

CHA General Fund

**SOLICITATION SUMMARY**

<b>Vendor:</b>	Blue Cross Blue Shield 300 East Randolph Street Chicago, IL 60607
<b>Contract Type:</b>	Medical Insurance
<b>Contract Term:</b>	January 1, 2015 through December 31, 2015
<b>Total Amount:</b>	\$6,491,671
<b>Vendor:</b>	Guardian Life Insurance Company of America 550 West Jackson Chicago, IL 60661
<b>Contract Type:</b>	Dental Insurance
<b>Contract Term:</b>	January 1, 2015 through December 31, 2015
<b>Total Amount:</b>	\$283,078

**Vendor:** AmeriFlex  
**Address:** 2508 Highlander Way  
Carrollton, TX 75006  
**Contract Type:** Flexible Spending Administrator  
**Contract Term:** January 1, 2015 through December 31, 2015  
**Total Amount:** \$14,425

**Previously Authorized by Board of Commissioners in October 2013:**

**Vendor:** Guardian Life Insurance Company of America  
**Contract Type:** AD&D, Life, Short Term Disability, Long Term Disability  
**Contract Term:** January 1, 2015 through December 31, 2015  
**Total Amount:** \$244,222 NTE (fixed rate contract through 2016)

**M/W/DBE Participation**

Waiver: Yes

**Section 3**

N/A – Supply and Delivery

**GENERAL BACKGROUND**

The CHA's current contracts for employee healthcare plan benefits with Blue Cross Blue Shield and Guardian Life Insurance Company of America will terminate on December 31<sup>st</sup>, 2014, and must be replaced on January 1<sup>st</sup>, 2015. These coverages are placed through Mesirow Financial, CHA's broker of record for employee benefit plans. The US Department of Housing and Urban Development has previously authorized the CHA to utilize a broker to procure its insurance coverages by soliciting competitive insurance bids on behalf of CHA.

**PROCUREMENT HISTORY**

Mesirow Financial ("Mesirow"), the CHA's insurance broker for Employee Health Plan Benefits, directly solicited requests for coverage from 11 health insurance providers, for Medical, Dental, and Vision coverages. Bids for Life AD&D, Retiree Life, Short Term Disability, and Long Term Disability were *not* solicited as the Board has previously authorized option years 2015 and 2016, which were guaranteed NTE rates.

All contracts referenced herein are considered firm fixed rate contracts, with contract amounts calculated based on the employee census count and/or participation in the plan.

**MEDICAL INSURANCE COST ANALYSIS AND RECOMMENDATION**

Incumbent insurer BCBS was asked to quote as expiring for the employee census base of 420, along with options which could help the Authority save expense dollars. The insurer initially provided 6 options; some which would help reduce cost, but with reduced benefits (higher co-pays and deductibles, lower coinsurance percentages) that would ultimately cost employees more throughout the course of the year. Some options also included different HMO networks and assumed that at least 20% would change to a smaller network based largely outside of the City, which may not materialize.

In keeping coverages consistent as the previous year, BCBS quoted \$6,491,672, an increase of 4.25% over the prior year's premium. Increases in the Healthcare Reform Tax attributed to 2.95% of the increase, with only 1.3% attributed to rate increase. The expected increase for mid- and large-sized businesses averages over 5.5% for the upcoming year.

Insurers Aetna and Cigna declined to quote because of competitive pricing from BCBS. United Healthcare bid \$6,951,708, which is 7.1% higher than the incumbent. Humana offered to provide coverage at \$7,041,429, or 8.5% higher than the incumbent.

Consideration has been given to changing the Authority health plan structure to match the City's coverage levels. BCBS was asked to quote the coverage equivalent to the City, which was \$6,401,378, an increase of \$90,294 or 2.8% over the expiring cost.

We recommend that the Authority offered health insurance coverage levels remain consistent with the prior year. The renewal premium is calculated at \$6,491,672, based on an estimated employee census of 420 participants. Should the participation levels fluctuate, the expense would change proportionately.

#### **DENTAL INSURANCE COST ANALYSIS AND RECOMENDATION**

Bids were solicited from three dental insurers. Guardian, our current insurer, quoted \$283,078, an increase of 5.6% over the expiring premium. Delta Dental offered coverage at \$300,918, which is 6.3% higher than Guardian. Ameritas offered coverage at \$307,747, or 8.7% higher than Guardian.

It is recommended to renew coverage with Guardian, based on an employee census of 406, for a firm fixed rate calculated at \$283,078. Additionally, we were offered and recommend to lock the 2016 rate with Guardian at +3%, equivalent to \$291,571 for 2016. Rate guarantees for Life, AD&D Retiree Life, STD and LTD are contingent upon bundling Dental coverage with Guardian.

#### **VISION INSURANCE COST ANALYSIS AND RECOMMENDATION**

Bids were solicited from four vision insurers for the employee census of 441. Incumbent insurer Davis has more participating vendors than other insurers, and coverage offered is better than other insurers, as copays are lower for every covered service. Davis Vision offered coverage at an increase of 2.5%, equating to \$44,758. EyeMed has offered coverage for \$41,604, Delta Vision at \$42,800, and NVA at \$43,620.

It is recommended to renew with Davis Vision, even though the cost exceeds other quotes, for \$44,758 based on the reasons above. The cost differential is immaterial to the Authority.

#### **LIFE, AD&D, STD and LTD COST ANALYSIS AND RECOMMENDATION**

Bids for Life AD&D, Retiree Life, Short Term Disability, and Long Term Disability were *not* solicited as the Board has previously authorized option years 2015 and 2016, which were guaranteed NTE rates. The total amount Authorized by the Board in October 2013 was NTE \$244,222. Based on the current employee census covering eligible participants and affiliates, the anticipated expense is \$228,080 for these coverages.

### **FLEXIBLE SPENDING**

Four providers quoted the flexible spending account administrative service, including the incumbent AmeriFlex. This service coordinates employee pre-tax set aside dollars for medical and transit expense. The incumbent, AmeriFlex, offers a competitive rate structure and no additional set up fees, with an estimated expense of \$14,425.

### **SUMMARY**

Below is a summary of the year over year expense for the insurance coverages offered in the CHA Employee Benefit Plan.

<b>2015 CHA Benefits Summary</b>			
<b>Coverage</b>	<b>Expiring Premium</b>	<b>Renewal Premium</b>	<b>Percent Change</b>
Medical	\$ 6,227,015	\$ 6,491,671	4.25%
Dental	\$ 268,129	\$ 283,078	5.58%
Vision	\$ 43,674	\$ 44,758	2.48%
Life and AD&D	\$ 92,111	\$ 92,111	0%
Retiree Life	\$ 8,028	\$ 8,028	0%
Short Term Disability	\$ 75,885	\$ 75,885	0%
Long Term Disability	\$ 52,065	\$ 52,065	0%
Flex Spending	\$ 14,250	\$ 14,250	0%
	<u>\$ 6,781,157</u>	<u>\$ 7,061,846</u>	
<b>Total Increase</b>		<b>\$280,689</b>	<b>4.15%</b>

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and applicable federal (HUD) procurement laws.

The Chief Financial and Administrative Officer concurs with the recommendation to enter into contracts with Blue Cross Blue Shield for health insurance, Guardian for Dental, AD&D, Life, STD and LTD insurance benefits for the 2015 CHA employee benefit plan year and 2016 option year for Guardian Dental.

**RESOLUTION NO 2014-CHA-105**

**WHEREAS,** the Board of Commissioners of the Chicago Housing Authority has reviewed the memorandum dated October 15, 2014 entitled **"AUTHORIZATION TO ENTER INTO CONTRACTS WITH BLUE CROSS BLUE SHIELD (MEDICAL) AND GUARDIAN (DENTAL, ACCIDENTAL DEATH & DISMEMBERMENT (AD&D), LIFE, SHORT TERM DISABILITY (STD), AND LONG TERM DISABILITY (LTD) FOR THE CHA'S EMPLOYEE HEALTH BENEFIT PLAN"**.

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT** the Board of Commissioners ("Board" authorizes the Chief Executive Officer or his designee to enter into contracts with the following insurance providers for the Chicago Housing Authority's ("CHA") Employee Health Benefit Program covering eligible participants of the CHA and eligible participants of the CHA's affiliates for the benefit year of 2015: (1) Blue Cross Blue Shield medical in a firm fixed rate contract calculated at \$6,491,671; and (2) Guardian Life Insurance Company of America in a firm fixed rate contract for Dental insurance in the amount of \$283,078; (3) AmeriFlex with a firm fixed rate contract based on employee participation, calculated at \$14,250; and (4) exercise the first option with Guardian Life Insurance Company of America for AD&D, Life, STD and LTD in an amount calculated at \$228,020; for a total aggregate amount of \$7,061,846 for FY 2015.



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